

**AUDIT COMMITTEE CHARACTERISTICS ON AUDIT FEES: THE IMPACT OF
MALAYSIAN CODE OF CORPORATE GOVERNANCE 2007**

By

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KOLEJ PERNIAGAAN
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ABSTRAK

Kajian ini bertujuan untuk memperluaskan lagi bukti dari pengkaji yang lepas mengenai hubungan sifat audit komuniti dan yuran audit. Kajian ini cenderung untuk mengkaji kesan Malaysian Code of Corporate Governance 2007 terhadap sifat audit komuniti (saiz, kebebasan, mesyuarat, dan latihan). Kajian ini merupakan perintis kajian yang mengkaji mengenai kesan latihan audit komuniti terhadap yuran audit. Penemuan ini menunjukkan kepakaran audit komuniti adalah penting dan positif terhadap yuran audit dimana kepakaran audit komuniti diukur melalui kelayakan professional dan pengalaman ahli. Manakala, sifat yang lain (saiz, kebebasan dan mesyuarat) adalah negatif terhadap yuran audit. Walau bagaimanapun, latihan audit komuniti menunjukkan hubungan yang positif terhadap yuran audit dimana latihan audit komuniti diukur melalui latihan yang berkaitan dengan akaun dan kewangan. Kajian ini adalah bertujuan untuk memperluaskan lagi kajian mengenai kepentingan latihan yang berkaitan terhadap kepakaran ahli komuniti. Penemuan kajian ini juga diharapkan dapat memberi petunjuk kepada pembuat polisi dan pengamal mengenai cara pendedahan yang terbaik mengenai latihan pengarah dalam pelapor tahunan syarikat.

Katakunci: *Audit komuniti, Yuran audit, Malaysian Code of Corporate Governance, Malaysia.*

ABSTRACT

This study extends the previous researcher on the audit fees by examining the association between audit committee characteristic and audit fees. The study specifically investigates the impact of the Malaysian Code of Corporate Governance 2007 on the audit committee characteristics (size, independence, meeting, expertise and training). This study as a pioneer studies that examines the effect of audit committee training on audit fees. This finding indicates audit committee expertise is significantly and positively associated with audit fees as measured by professional qualification and experience of the members. While, the others characteristics (size, independence and meeting) are negatively associated with audit fees. However, audit committee training shown a positive relationship with audit fees as measured by financial-related training. This study contributes to the growing of literature by demonstrating the significant of the relevant financial-related training that will give effect to the expertise of audit committee members. The findings are also relevant to the policy-maker and to practitioners in term of best disclosure of the director's training in annual report.

Keywords: Audit committee, Audit fees, Malaysian Code of Corporate Governance, Malaysia.

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LIST OF ABBREVIATIONS

MCCG	Malaysian Code of Corporate Governance
ACGA	Asian Corporate Governance Association
BMB	Bursa Malaysia Berhad
MAP	Mandatory Education Programme
CEP	Continuing Education Programme
FCCG	Finance Committee on Corporate Governance
MIA	Malaysian Institute of Accountants
ACCA	Association of Chartered Certified Accountants
MICPA	Malaysian Institute Of Certified Public Accountants
CIMA	Chartered Institute of Management Accountants
MAICSA	Chartered Secretaries Malaysia

CHAPTER 1

INTRODUCTION

1.1 Background of the study

First Malaysian Code of Corporate Governance (MCCG) was launched on March 2000 has codified the principles and best practice of good governance among the companies, especially of public listed companies (PLCs). The launched of the Malaysian Code of Corporate Governance 2000 (MCCG 2000) was not made mandatory to the companies. However, since January 2001 this code was being used as a requirement under the Listing Requirement of Bursa Malaysia and as such all listed companies need to comply with this requirement in their annual reports. Later, all public listed company must furnish a statement of corporate governance on February, 1999.

Table 1 shows the rating of corporate governance quality in Asia during year 2007. This study was conducted when Malaysia is still using MCCG 2000. CG Watch 2007 documents that Malaysia and Korea are of the same stage and rank number 6 among the Asia countries that have good quality in term of corporate governance (ACGA, 2007). Interestingly, in term of audit committees, Malaysia is still among the best countries that impose mandatory compliance of the corporate governance with minimal non-compliance. However, ACGA reports that in term of independent functioning of audit committees is just marginally better and needs some improvement.

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